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Supreme Court, U.S.
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No. 09-476

IN THE

Supreme Court of the United States

PATENT ENFORCEMENT TEAM, LLC

Petitioner,

v.

DICKSON INDUSTRIES, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

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STATEMENT PURSUANT TO RULE 29.6

Petitioner's corporate disclosure statement was set forth at page *ii* of its Petition for a Writ of Certiorari, and there are no amendments to that statement.

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INTRODUCTION

Petitioner Patent Enforcement Team, LLC ("PET") respectfully submits this Reply Brief in support of its Petition for Writ of Certiorari. In its Petition, PET argues that this Court should grant its Petition because the decision below contravenes established patent law regarding the legal standards for tortious interference and anticipation and this issue is recurring and important because it affects a patentee's First Amendment right to publicize its patent rights. Moreover, this Court has not previously addressed the Federal Circuit's "patent preemption" test regarding state law tort liability and this Court should grant this Petition to review said test and determine, for universal application, its validity and scope.

In opposing PET's Petition, Respondent does not contest the fact that this Court has never addressed the Federal Circuit's "patent preemption" test. Instead, Respondent argues that there is no conflict between the decision below and prior precedent and that the only arguments addressed in PET's Petition relate to the sufficiency of the evidence. Specifically, Respondent states that federal law "does not preempt a state law cause of action for tortious interference if state law includes the element of bad faith in the enforcing of the patent or the rights under an invalid or uninfringed patent." Response, p. 10.

Assuming arguendo, that Respondent has correctly stated the holdings in these cases, the parties have established that there is an internal conflict in the Federal Circuit regarding its "patent preemption" test

because the Federal Circuit has also clearly held that when a patentee has been accused of tortious interference, "federal patent law preempts state-law tort liability", *Globetrotter Software, Inc. v. Elan Computer Group, Inc.*, 362 F.3d 1367, 1374 (Fed. Cir. 2004), and under federal patent law, Respondent must prove by clear and convincing evidence that PET's asserted claims of infringement were "objectively baseless." *See Dominant Semiconductors SDN. BHD. v. Osram GMBH*, 524 F.3d 1254, 1260 (Fed. Cir. 2008); *GP Industries, Inc. v. Eran Indus., Inc.*, 500 F.3d 1369, 1374 (Fed. Cir. 2007).

Accordingly, this Petition goes beyond arguing sufficiency of the evidence. It also addresses the need for this Court to rectify the intra-circuit conflict regarding the "patent preemption" test. Without clarification, a patent holder will be unable to communicate its patent rights to a potential infringer without fear of liability. Such a result is in direct contravention to the patentee's statutory right to "give notice to the public" as stated in 35 U.S.C. § 287 and the three objectives of the patent laws announced by this Court, "namely, providing an incentive to invent, promoting the full disclosure of inventions, and ensuring that ideas in the public domain remain there." *Zenith Electronics Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1354 (Fed. Cir. 1999) (citing *Kewanee Oil Co. v. Bicorn Corp.*, 416 U.S. 470, 480-81 (1974)).

REASONS FOR GRANTING THE PETITION

I. This Court Should Determine The Scope And Applicability Of The "Patent Preemption" Test

PET contends that when a patentee has been accused of tortious interference, "federal patent law preempts state-law tort liability." *Globetrotter*, 362 F.3d at 1374. Under federal patent law, Respondent must prove by clear and convincing evidence that PET's asserted claims of infringement were "objectively baseless." *See Dominant Semiconductors*, 524 F.3d at 1260; *800 Adept, Inc. v. Murex Securities, Ltd.*, 539 F.3d 1354, 1369 (Fed. Cir. 2008); *GP Industries*, 500 F.3d at 1374; *Globetrotter*, 362 F.3d at 1375. For a claim to be "objectively baseless", Respondent must prove that "no reasonable litigant could realistically expect success on the merits." *Globetrotter*, 362 F.3d at 1376-77. Moreover, "subjective 'bad faith' . . . [is] insufficient as a matter of law to prove the 'objectively baseless element.'" *Contech Stormwater Solutions, Inc. v. Baysaver Technologies, Inc.*, 310 Fed. Appx. 404, 409 (Fed. Cir. 2009).

In contrast, Respondent argues that the federal patent law does not preempt state tort law if the state law includes the element of bad faith. Response, p. 10. However, the cases concerning preemption clearly state that "[t]he federal patent laws . . . bar state-law liability for communications concerning alleged infringement so long as those communications are not made in 'bad faith.'" *Globetrotter*, 362 F.3d at 1374-75. Moreover, PET and Respondent diverge on what should be the proper test for "bad faith." PET contends that "bad faith" includes objective and subjective components.

Respondent believes that it only needs to prove subjective bad faith.

For example, Respondent primarily relies upon *Unitherm Food Systems, Inc. v. Swift-Eckrich, Inc.*, 375 F.3d 1341, 1366 n. 8 (Fed. Cir. 2004), for the proposition that federal law does not preempt a state law claim for tortious interference. The only discussion *Unitherm* had on preemption is in a footnote where the Federal Circuit states "[b]ad faith is a prerequisite to [a] state-law tortious interference claim; without it, the claim is preempted by patent law." *Unitherm*, 375 F.3d at 1366 n. 8 (citing *Zenith*, 182 F.3d at 1355). In *Zenith*, the Federal Circuit held that a state law claim of tortious interference would be preempted by patent law absent a showing of bad faith. *Zenith*, 182 F.3d at 1355. However, the Federal Circuit did not define what would constitute bad faith. *Id.*

Recent case law from the Federal Circuit clearly demonstrates that in order to be liable for tortious interference, Respondent has to prove by clear and convincing evidence that PET's *pre-suit* claims of infringement were "objectively baseless." Indeed, in 2004 and again in 2008, the Federal Circuit specifically addressed the "bad faith" requirement announced in *Zenith* and stated that "the question before us is whether the bad faith standard of *Zenith* can be satisfied in the absence of a showing that the claims asserted were objectively baseless. We hold that it cannot." *Globetrotter*, 362 F.3d at 1375; *see also Dominant Semiconductors*, 524 F.3d at 1260 ("the bad faith standard of *Zenith* cannot be satisfied 'in the absence of a showing that the claims asserted were objectively baseless.'").

As discussed in PET's Petition and in Section II (A) below, the decision below did not correctly apply the "patent preemption" test and failure to correct this decision will profoundly affect a patentee's First Amendment rights to publicize its patent rights. Without review, the decision below will lead to substantial uncertainty for all patent holders that goes far beyond the merits of this case. Therefore, this Petition should be granted to establish, for universal application, when federal patent law preempts state law tort liability and whether the test should be limited to pre-litigation conduct for determining whether a patentee's actions were "objectively baseless."

II. There Is Insufficient Evidence To Establish Tortious Interference And Invalidity

A. Tortious Interference

Respondent did not provide any evidence establishing that PET's *pre-litigation* conduct was objectively baseless. Indeed, the evidence shows exactly the opposite. Prior to sending letters, PET sought advice from counsel regarding the validity of its claims. (A0560) While, Respondent did show that PET had a policy of enforcing its patents against others, such actions, even if the patent is later held invalid, are insufficient to support intentional tortious interference. *See, e.g., Mikohn Gaming Corp. v. Acres Gaming, Inc.*, 165 F.3d 891, 897 (Fed. Cir. 1998) (no tortious interference because defendant, "acting in good faith on its belief as to the nature and scope of its rights, is fully permitted to press those rights 'even though he may misconceive what those rights are'"). Moreover, "[t]he law recognizes

a presumption that the assertion of a duly granted patent is made in good faith." *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1369 (Fed. Cir. 1998), *cert. denied*, 526 U.S. 1130 (1999); *see also* 35 U.S.C. § 282 ("A patent shall be presumed valid.").

With respect to Respondent's specific examples of PET's alleged bad faith, these allegations relate to PET's subjective bad faith. Furthermore, they are unfounded and not supported by the evidence given at trial. For example:

a. Mr. Dickson did not provide adverse testimony in the Wirtgen litigation. Mr. Dickson's testimony concerned a machine he conceived in the latter part of 1992 and reduced to practice in May of 1993. Thomas Grinding, Inc.'s ("TGI") machine was conceived in September of 1992 and first used in January 1993. Moreover, TGI was able to obtain a very favorable settlement with Wirtgen further demonstrating that Mr. Dickson's testimony was not detrimental to TGI.

b. PET did not covertly purchase the '069 Patent for $25,000 nor did it immediately start enforcing it against Mr. Dickson's customers. In addition to receiving $25,000 in cash, Mr. Whitney also received no royalty or license fees on five machines, which was valued at over $150,000. Moreover, Mr. Whitney was also allowed to cut rumble strips in Florida.

c. Prior to filing this lawsuit, PET obtained advice from counsel regarding the '069 Patent and Respondent's infringing activities.

d. There was never any intent to deceive the Patent and Trademark Office. PET did not intentionally withhold material prior art nor did it intentionally withhold information during the Re-Examination. Mr. Whitney's testimony and the Modified Target Saw ("MTS") were not material, non-cumulative references that required disclosure to the Examiner. Mr. Whitney's observations were not credible or corroborated because he never described the method used for the rumble strips he saw. Moreover, Messrs. Shed and Arnswald's affidavits were mentioned to the Examiner and the Examiner chose not to request their production. PET, in good faith, relied on its attorneys and that it had complied with the rules governing Re-Examinations.

e. Glen Thomas' son, Chad Thomas, testified that Mr. Whitney said that "he didn't intend for the patent to be for rumble strips." Chad Thomas further testified that Glen Thomas' response was: "Mr. Whitney should probably keep his mouth shut *because it doesn't really matter what he thinks, it matters what's on the patent, what's written down.*" (emphasis added). Glen Thomas' statements were justified and correct because the '069 Patent

not only mentions rumble strips at least seven (7) times, it stated that the grooves created by his apparatus "also function as a rumble strip."

f. Prior to filing suit, PET was not aware that Mr. Whitney would change his opinion as to what his '069 Patent covers sixteen (16) years after filing it. Furthermore, the patent speaks for itself.

g. When PET filed suit, it had no way of knowing that the District Court would construe claim 5 to not include cuts made outside the white line. Prior to the *Markman* Order, PET and its licensees all construed claim 5 to include cuts made outside the white line. Despite the District Court's determination, PET continued the litigation because PET believed that there was infringement under the Doctrine of Equivalents ("DOE"). It was not until trial that the District Court ruled that the DOE was inapplicable in this case.

(A0558-0562).

Equally compelling is the fact that the only evidence of any bad faith conduct at trial related solely to the Reexamination Proceeding, which occurred long *after* this case was filed, and was based on actions taken by PET's former counsel, Akerman Senterfitt, *not* PET. In 2002, when this lawsuit was filed, PET realistically expected to succeed on the merits of its infringement

claims, which immunizes it from liability for tortious interference. *See GP Industries*, 500 F.3d at 1374-75; *Globetrotter*, 362 F.3d at 1375. Consequently, there is insufficient evidence to establish that PET's actions were objectively baseless and the tortious interference verdict must be reversed.

B. The '069 is Valid and Enforceable

The Federal Circuit found that claim 5 of the '069 Patent was invalid based on the Spangler Patent (U.S. Patent No. 4,473,319). As described in PET's Petition, the Spangler Patent does not anticipate because it does not disclose a rotating cutting cylinder operated continuously alternately up above the road surface and down into the road through at least two cuts. *Akamai Technologies, Inc. v. Cable & Wireless Internet Services, Inc.*, 344 F.3d 1186, 1192 (Fed. Cir. 2003) ("A claim limitation is inherent in the prior art if it is necessarily present in the prior art, not merely probably or possibly present."). Indeed, rumble strips, according to the method disclosed in Spangler, are made by depositing material *above* the road surface, *not* by cutting. (A0440; 0586). Moreover, in the former function, while it does grind into the road, the grinding wheel never leaves the road surface nor do its actions result in the creation of a rumble strip. (A0587). Respondent argues that this Court should consider testimony from its expert and its other witnesses regarding what Spangler discloses. Response, pgs. 21-23. However, the Spangler Patent speaks for itself and based on its written limitations, it is impossible to find that the Spangler Patent anticipates claim 5. (A1464-1470).

Respondent also argues that there is additional evidence that supports a finding of invalidity based on anticipation and/or obviousness. For example, Respondent argues that the MTS invalidates claim 5. The MTS has two operations: slot cutting and cleaning. In the slot cutting operation, the MTS is designed to cut slots down the centerline of the road and not be disruptive in terms of noise or impeding tires as vehicles change lanes. (A0360; 0651-52). The slots are end to end and substantially separated down the travel direction of the road, not side by side, parallel and transverse, as required under the District Court's construction of claim 5. *Id.* Moreover, there was no evidence presented at trial that the MTS' rotating cutting cylinder was operated continuously alternately up above the road surface and down into the road through at least two cuts. (A0431-0432). Rather, the blade(s) of the MTS rotated only during slot cutting; between each cut, the up and down motion of the blades of the MTS was suspended, typically for a distance of 40 to 80 feet but not less than 20 feet. (A0411-0412).

During the MTS cleaning operation, the blades of the MTS have continuous contact with the paved surface. (A0364-0365; 0366). Moving the blades out of the pavement is contrary to the intended purpose of the MTS cleaning operation. *Id.* Additionally, a person would not perform the MTS cleaning operation on a road because it would tear up the road. (A0655).

Respondent also argues that Mr. Whitney's statements obtained sixteen (16) years after filing the '069 Patent and his uncorroborated testimony regarding rumble strips in Florida invalidates claim 5. However,

Mr. Whitney never testified about the method that was used to make the rumble strips he saw in Florida. (A0646-0649). Further, his statements were not corroborated. *See Dow Chemical Co. v. Mee Indust., Inc.*, 341 F.3d 1370, 1378 (Fed. Cir. 2003) (finding that witness testimony must be corroborated to invalidate a patent).

Finally, Respondent argues that bump grinders invalidate claim 5. The testimony regarding bump grinders demonstrated that they were used for making rumble strips by way of a modified plunge cut. (A0169; 0455-0456). There was no evidence that the cutting head of the bump grinder was simultaneously rotated along a road and moved up above the road surface and down into the road surface to form a plurality of grooves, through at least two cuts. (A0437-0438). Rather, the cutting head only moved forward during the measured distance of the cut while cutting was occurring. (A0169; 0455-0456).

Respondent's aforementioned prior art do not disclose, even in combination, each of the following limitations of claim 5:

- cutting of parallel side-by-side grooves,
- that are transverse to the travel direction of a road,
- using a cutting cylinder that is simultaneously rotated,
- moved alternately up above the road surface and down into the road surface,

- through a series of successive single, non-disruptive slots formed in a continuous travel direction,

- where the cutting head is moved continuously forward during the process of cutting.

(A0069). Accordingly, none of the prior art anticipates claim 5.

Furthermore, the evidence demonstrated that claim 5 is not obvious. For example, Respondent's witnesses testified that the modifications to the prior art apparatuses that would be required to perform the method of claim 5 would render them inoperable to perform their intended methods. (A0426-0430; 0434). *See In re Fritch*, 972 F.2d 1260, 1266 (Fed. Cir. 1992) (Inoperability teaches away from obviousness.). Additionally, Respondent never successfully implemented the process of claim 5 using the MTS despite efforts to do so. (A0408-0409). Evidence that others skilled in the art tried and failed to accomplish what the inventor successfully achieved is compelling, indeed "virtually irrefutable" in establishing non-obviousness. *Panduit Corp. v. Dennison Manufacturing Co.*, 774 F.2d 1082, 1099 (Fed. Cir. 1985), vacated on other grounds by *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809 (1986).

Moreover, PET's successful enforcement program comprising at least ten (10) license agreements for the '069 Patent further demonstrates nonobviousness. *WMS Gaming, Inc. v. International Game Technology*, 184 F.3d 1339, 1359 (Fed. Cir. 1999) (objective evidence of nonobviousness includes "licenses showing industry

respect"); (A0560). Consequently, the asserted references do not provide sufficient evidence for a finding of invalidity to one of ordinary skill in the art as a matter of law under the clear and convincing standard. Therefore, the Petition should be granted and the finding of invalidity should be reversed.

CONCLUSION

This Court should grant PET's Petition in order to review the "patent preemption" test and determine, for universal application, its validity and scope. Without guidance from this Court, the scope of a patentee's First Amendment right to communicate its patent rights to a potential infringer will remain unclear. Without review, patentees will no longer be able to enforce their patents without fear of liability. Such a result directly contradicts the objectives of the Patent Act.

Additionally, this Petition should be granted to determine what evidence constitutes "substantial evidence" sufficient to uphold an invalidity determination. Failure to review the Federal Circuit's invalidity decision based on anticipation will eliminate the requirement that anticipation requires a single prior art reference to disclose *each and every* method step of the claimed invention. It would be legal error and bad patent policy to affirm an invalidity finding that was not based on substantial evidence. Based on the foregoing, this Court should grant this Petition.

Respectfully submitted,

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